

INDEPENDENT AUDITORS' REPORT

The Administrator
Western Area Power Administration
United States Department of Energy:

We have audited the accompanying combined statements of assets, Federal investment, and liabilities of the Western Area Power Administration (Western) as of September 30, 1998 and 1997, and the related combined statements of revenues, expenses, and accumulated net revenues, and cash flows for the years then ended. These combined financial statements are the responsibility of Western's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin 98-08 as amended, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Western as of September 30, 1998 and 1997, and the results of its operations and changes in accumulated net revenues, and its cash flows for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated December 18, 1998 on our consideration of Western's internal control over financial reporting and on its compliance with laws and regulations.

The information presented in management's *Overview and Performance Measurements* is not a required part of the combined financial statements, but is supplementary information required by OMB Bulletin 97-01, *Form and Content of Agency Financial Statements*. We have considered whether this information is materially inconsistent with the combined financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the combined financial statements and, accordingly, we do not express an opinion on it. The performance information included in management's *Overview and Performance Measurements* is addressed in our auditors' report on internal control over financial reporting in accordance with OMB Bulletin 98-08, as amended.

This report is intended for the information of the management of Western and the United States Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG LLP
KPMG LLP

Salt Lake City, Utah
December 18, 1998